



# SURPASS

## CHEMICALS

### LIMITED

36 UPTON RD., SCARBOROUGH, ONTARIO  
M1L 2B9

TELEPHONE: 751-6100

CABLE: SURCHEM

*Canicorp*

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August 23, 1974.

Dear Shareholder,

We wish to report the following unaudited results of operations for the six month period ended June 30, 1974 with restated comparative figures for the same period in 1973 as follows:—

|                                                                                            | Six Months Ended<br>June 30,<br>1974 | June 30,<br>1973 |
|--------------------------------------------------------------------------------------------|--------------------------------------|------------------|
| Net Sales                                                                                  | \$2,190,877                          | \$1,593,042      |
| Operating profit before depreciation                                                       | \$ 189,676                           | \$ 90,089        |
| Depreciation                                                                               | 67,445                               | 60,207           |
| Earnings before income taxes and extraordinary item                                        | 122,231                              | 29,882           |
| Income taxes — deferred                                                                    | 55,000                               | 8,970            |
| Earnings before extraordinary item                                                         | ✓ 67,231                             | ★ 20,912         |
| Extraordinary item — reduction in current income taxes as a result of loss carried forward | 55,000                               | 8,970            |
| Net earnings for the period                                                                | \$ 122,231                           | \$ 29,822        |
| Net earnings per share                                                                     | 16.0¢                                | 3.9¢             |

#### STATEMENT OF SOURCE AND APPLICATION OF FUNDS

|                                               |            |            |
|-----------------------------------------------|------------|------------|
| Source of funds                               |            |            |
| Operations                                    |            |            |
| Net income for the period                     | \$ 122,231 | \$ 29,882  |
| Item not involving current funds              |            |            |
| Depreciation                                  | 67,445     | 60,207     |
|                                               | 189,676    | 90,089     |
| Application of funds                          |            |            |
| Expenditures on fixed assets                  | 87,437     | 50,543     |
| Increase in working capital during the period | 102,239    | 39,546     |
| Working capital at beginning of period        | 35,564     | 141,178    |
| Working capital at end of period              | \$ 137,803 | \$ 180,724 |

We are in a period of shortages and rapidly escalating costs. It has been necessary to modify terms of sale in order to protect profit margins in this period. Demand for most products remains high, however, in spite of higher prices and the outlook for the balance of 1974 is for increased sales and earnings.

Very truly yours,  
SURPASS CHEMICALS LIMITED,

Fred W. Evans, President.

